

THE JACOBS REPORT

GILDA Z. JACOBS
MICHIGAN SENATE
Assistant Democratic Floor Leader
FOURTEENTH DISTRICT

For Immediate Release
February 3, 2006

Contact: Matt Levin
(517) 373-7888

PROPOSAL A & HEADLEE: POP-UP ISSUES POP UP

Empty-Nesters Hit with Higher Taxes

The so-called "pop-up tax," an issue Senator Gilda Z. Jacobs (D-Huntington Woods) has been active in for years, is the subject of legislation that might start moving in the House.

Under Proposal A, homeowners' property taxes stay capped as long as they don't move. When the property is sold, the taxes increase (often dramatically) to their actual assessment levels. Since Proposal A's adoption in 1994, the system has kept property taxes stable, a contrast over the skyrocketing pre-Proposal A property tax situation in the state.

However, the pop-up tax can represent a huge tax increase for new homeowners, who sometimes pay taxes at two to three times the rate of their entrenched neighbors. A major concern is that eventually, the pop-up gimmick will hurt the Michigan real estate market, lowering resale values in order to balance the higher tax rate assessed to a buyer.

"[The pop-up] is killing real estate sales in our area," said Rep. Ed Gaffney (R-Grosse Pointe Farms), the sponsor of legislation that would curb some of the effects of the pop-up tax. "It was my city manager that made me aware of the situation. I asked him about the money it would cost (the city) and he said he saw more concern about people not being able to pay their taxes."

According to Gaffney, the pop-up tax is preventing senior citizens from being able to downsize to smaller homes. Evidence also shows that the pop-up is beginning to disrupt the general real estate markets in areas such as Grosse Pointe, East Grand Rapids and Traverse City.

"This issue is nothing new to communities in my district," said Senator Jacobs. "If we don't tweak this policy now, negative reverberations will be felt throughout the entire state."

Rep. Gaffney's legislation (HB 4269 and HB 4270), would neuter the pop-up tax in cases where the owner sold their property and moved to another home in the same community. Senator Jacobs' legislation (SB 732) would provide similar protections to seniors, veterans, and people with disabilities.

"I want to get the ball rolling in the House," Gaffney said. "I think another angle is that this should help prevent urban sprawl."

JAY RISING LEAVING FOR DETROIT MEDICAL CENTER

Outgoing State Treasurer Popular with Dems, GOP

State Treasurer Jay Rising announced that he is leaving his cabinet-level post to become the vice president and chief financial officer at the Detroit Medical Center (DMC).

"I have truly enjoyed my second go 'round here at Treasury," Rising said. "While this was not an easy decision to make, DMC offered an opportunity I couldn't pass up."

Rising was one of Governor Granholm's first appointments when she selected him to be the state's 42nd Treasurer in January 2003. "I am indebted to him for the many talents he brought to the administration," she said. "His advice and hard work on educational, economic, and financial matters has been appreciated more than he will ever know."

Rising, credited with putting the state on sound financial footing, was the main architect behind the governor's Single Business Tax (SBT) re-write. He also received high praise from legislative Republicans. Senate Majority Leader Ken Sikkema (R-Wyoming) called him, "one of the most honorable, intelligent, trustworthy individuals I have even had the opportunity to work with in state government . . . I am truly sorry to see him leave; the Detroit Medical Center's gain is the state's loss."

"It has been an honor serving Governor Granholm and the citizens of Michigan," said Mr. Rising. "The Department of Treasury has made significant progress in the last three years, including streamlining tax processing and providing support services to school districts and local units of government, enhancing scholarship and loan programs designed to keep college affordable for Michigan families, and implementing the Governor's Jobs Today and 21st Century Jobs Fund initiatives to help create jobs. I am proud of all we have accomplished and know I leave the department in capable hands."

Governor Granholm is currently considering potential replacements.

DRIVING INSURANCE RATES

Panel Hears Complaints about Rate Disparities

Senator Martha Scott (D-Detroit), sponsor of SB 26, saw her 18 month crusade against high insurance rates culminate in a three hour hearing yesterday.

Senator Scott testified that rates should be based strictly on a driver's individual record and the specific conditions of his/her automobile. "I pay \$3,300 [annually] for a three-year-old car and a colleague in the U.P. pays \$1,800. Is that fair?" she asked. "Insurance is required by the state and for many, many people the cost of insurance is out of touch with their pocketbooks."

Balancing a rate cut to Detroit would not be easy. An estimate that 60 percent of drivers across the state would see rate increases of almost 15 percent is a major roadblock to a bill that would bar insurers from basing rates on locations (Property Casualty Insurers Association of Michigan).

Senator Mike Bishop (R-Rochester), chairman of the Committee on Banking and Financial Services, said, "If we're going to address the issue, we have to turn back benefits in some form." This strategy would likely be opposed by Senator Jacobs, who has been working with groups across the state to preserve Michigan's no-fault system, which has lost some of its luster through court decisions that have reduced benefits without reducing premiums.

Peter Kuhnmuench of the Insurance Institute of Michigan said territories are the single most reliable predictor of risk for insurers, but several other factors are at work as well, such as traffic density, road conditions, theft and vandalism. He said no other state has eliminated the use of territories for rating purposes and strongly disputed suggestions urban areas subsidize rates in the rest of the state.

All Michigan legislation can be tracked at <http://www.legislature.michigan.gov/>.

If you'd like to be removed from this distribution list, simply reply to this e-mail with "remove" in the subject header.

State Senator Gilda Jacobs represents the 14th Senate District, which includes Beverly Hills, Bingham Farms, Farmington, Farmington Hills, Ferndale, Franklin, Hazel Park, Huntington Woods, Lathrup Village, Oak Park, Pleasant Ridge, Royal Oak Township, Southfield, and Southfield Township. She is the Minority Vice Chair of the Families & Human Services Committee and the Economic Development, Small Business & Regulatory Reform Committee. She also serves on the Government Operations and Health Policy Committees.

Constituents of the 14th District may contact Senator Jacobs at sengjacobs@senate.michigan.gov or toll-free at 1-888-937-4453.

This newsletter is produced in single-space form in order to save paper and transmission costs.

####

Matthew J. Levin
Legislative Director
Senator Gilda Z. Jacobs
P.O. Box 30036
Lansing, MI 48909-7536
(517) 373-7888
mlevin@senate.michigan.gov